

**FITCHBURG GAS AND ELECTRIC LIGHT COMPANY**

Electric Reconciliation Mechanism and  
Inflation Adjustment Filing

D.T.E. 02-\_\_\_\_\_

TESTIMONY AND SCHEDULES  
OF  
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ON BEHALF OF  
FITCHBURG GAS AND ELECTRIC LIGHT COMPANY

Presented to the  
Massachusetts Department of Telecommunications and Energy

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1   **I.     INTRODUCTION**

2   Q.    Please state your name and business address.

3   A.    My name is Karen M. Asbury. My business address is 6 Liberty Lane West,  
4        Hampton, New Hampshire, 03842-1720.

5

6   Q.    For whom do you work and in what capacity?

7   A.    I am Director of Regulatory Services for Unitil Service Corp. ("Unitil Service"), an  
8        affiliate of Fitchburg Gas and Electric Light Company ("FG&E"). Both companies are  
9        members of the Unitil System and subsidiaries of Unitil Corporation. Unitil Service  
10       provides various professional services, including financial, regulatory and other  
11       administrative services to FG&E, as well as to Unitil Corporation's other subsidiaries.

12

13   Q.    Please describe your educational and professional background.

14   A.    In 1987, I graduated *magna cum laude* from the University of New Hampshire with a  
15        Bachelor of Science Degree in Mathematics. I joined Unitil Service in January 1988  
16        and have held various positions in the regulatory/rate department. I have been involved  
17        in regulatory compliance and rate analysis for electric and gas utilities for over ten years.  
18        In my current position, I am responsible for directing regulatory filings, pricing research  
19        and analysis, pricing design, tariff administration, revenue requirements and cost of

1 service calculations, economic analyses, customer research, and other analytical  
2 services. I have attended several industry seminars and courses, including the Edison  
3 Electric Institute's Electric Rate Advanced Course at Indiana University.  
4

5 Q. Have you previously testified before the Department of Telecommunications and Energy  
6 ("Department")?

7 A. Yes, I have previously testified on numerous occasions before the Department, including  
8 D.T.E. 97-115/98-120, FG&E's Electric Restructuring Plan ("Restructuring Plan") and  
9 D.T.E. 99-110, FG&E's Electric Reconciliation Mechanism and Inflation Adjustment  
10 Filing for 2000 ("D.T.E. 99-110"). I have also testified before the New Hampshire  
11 Public Utilities Commission and participated in the preparation of filings for the Federal  
12 Energy Regulatory Commission.  
13

14 Q. What is the purpose of your testimony in this proceeding?

15 A. I am sponsoring testimony to support FG&E's calculation of its External Transmission  
16 Charge and its Internal Transmission Service Cost Adjustment.  
17

18 **II. EXTERNAL TRANSMISSION CHARGE**

19 Q. What is the External Transmission Charge?

1     A.     As provided in FG&E's current tariff, M.D.T.E. No. 35, the External Transmission  
2           Charge recovers all external transmission costs that are billed to FG&E by any other  
3           transmission provider, other regional transmission or operating entities, such as  
4           NEPOOL, a regional transmission group, an independent system operator, or other  
5           regional bodies. It also recovers charges related to the stability of the transmission  
6           system. Costs beyond the NEPOOL PTF system are the direct obligation of the  
7           Competitive Suppliers serving FG&E's customers.

8  
9     Q.     Are there any changes proposed to M.D.T.E. No. 35?

10    A.     Yes. As discussed in Mr. Collin's testimony, FG&E proposes to include transmission-  
11       related working capital costs in its External Transmission Charge as provided by the  
12       Department's Order in D.T.E. 02-24/25.

13  
14    Q.     What costs are included in the External Transmission Charge?

15    A.     The easiest manner in which to provide a listing of the costs included is to compare the  
16       costs directly to those permitted for recovery by the Department in tabular form. See  
17       Table KMA-1. The information provided in this table also complies with the  
18       Department's directive in D.T.E. 99-110 to include cross-references.

19

TABLE KMA-1		
Column	Costs from December 20, 2002, Reconciliation Filing SCHEDULE KMA-1, Pages 1 through 3 of 7	Correlation to Restructuring Plan
A.	ISO EXPENSES - EFC Relabeled ISO ADMINISTRATIVE COSTS - Effective October 2001	❖ See FG&E approved Restructuring Plan, Appendix B, Tab D, pages IV.3 and IV.4, <u>2. Transmission Charges</u> : "The External Transmission Charge will recover on a fully reconciling basis the FERC-approved billings to the Company associated with the Regional Transmission Group, an Independent System Operator or any other transmission provider and which the Company has authorization to recover from retail customers."
B.	NEP COMPREHENSIVE TRANSMISSION	❖ See A above.
C.	NEPOOL RN/TRANS. COSTS	❖ See A above.
D.	CONGESTION PURCHASES	❖ See A above.
E.	CONGESTION SALES	❖ See A above.
F.	OVER-DESIGNATION SALES	❖ See A above.
G.	NEP TRANS CREDIT	❖ See A above.
H.	MAINE ELECTRIC (NEW BRUNSWICK POWER)	❖ See A above.
I.	COST OF WORKING CAPITAL	❖ As discussed herein, cost recovery proposed effective December 1, 2002 as provided by the Department. D.T.E. 02-24/25 at 51.

1

2 Q. What reconciliation period is included in this filing?

3 A. The filing includes actual cost and revenues from January 2001 through September  
4 2002 and estimated data from October 2002 through December 2003. FG&E's  
5 previous filing included actual data from March 1998 through September 2001 and  
6 estimated data from October 2001 through December 2002.

7

8 Q. For what period has the Department approved cost recovery?

1     A.     The Department has approved recovery of costs through September 2001 (D.T.E. 01-  
2           103-A at 7). Since October 2001 through December 2001 are required as part of this  
3           filing, rather than present partial year data, FG&E is presenting the full year.

4  
5     Q.     Are there any other changes to presentation of the cost recovery mechanisms?

6     A.     Yes, as mentioned above, working capital costs have been included in Column I on  
7           Pages 2 and 3 of Schedule KMA-1.

8  
9     Q.     What is FG&E's proposed External Transmission Charge?

10    A.     FG&E's proposed External Transmission Charge is \$0.00362 per kWh as shown on  
11           Page 3 of Schedule KMA-1.

12  
13    Q.     How does this compare to FG&E's current External Transmission Charge?

14    A.     FG&E's current External Transmission Charge is \$0.00158 per kWh. The proposed  
15           rate is increasing by \$0.00204 per kWh. The current rate has a large over-collection  
16           built into the rate. The proposed rate includes an under-collection. This change from an  
17           over-collected balance to an under-collected balance causes the rate increase.

18  
19    Q.     How is the External Transmission Charge calculated?

1     A.     Consistent with FG&E's External Transmission Charge Tariff, the charge is calculated  
2           based on a forecast of costs for 2003, with full reconciliation and interest for any over  
3           or under recoveries in 2002. This calculation is demonstrated on Page 3 of Schedule  
4           KMA-1.

5

6     Q.     Is this the same methodology approved in D.T.E. 99-110 and D.T.E. 01-103?

7     A.     Yes.

8

9     Q.     Please describe Schedule KMA-1.

10    A.     Schedule KMA-1 is FG&E's Monthly External Transmission Charge Reconciliation.  
11           This schedule contains 7 pages. Pages 1 through 3 provide the monthly and annual cost  
12           detail and end of year deferrals for 2001 through 2003. As discussed above, page 3  
13           also provides the calculation of the proposed rate. Pages 4 and 5 provide the  
14           calculation of interest and monthly deferrals for 2001 through 2003. Page 6 provides  
15           the calculation of working capital costs. Page 7 provides a forecast of revenues for the  
16           period October 2002 through December 2003. Consistent with the Department's  
17           determination in D.T.E. 99-110, FG&E has provided actual data through September  
18           2002. The remainder is forecast.

19



1 Q. What is the proposed reconciliation amount?

2 A. As shown on Page 4, the proposed reconciliation amount is an under-collection of  
3 \$182,920 based on actual data through September 2002, and forecast data through  
4 December 2002.

5

6 Q. What is the expected balance at the end of 2003?

7 A. With the proposed External Transmission Charge of \$0.00362 per kWh effective  
8 January 1, 2003, the balance is projected to be an under-collection of \$259 as shown  
9 on Page 5.

10

11 **III. INTERNAL TRANSMISSION SERVICE COST ADJUSTMENT**

12 Q. What are the Internal Transmission Charge and Internal Transmission Service Cost  
13 Adjustment?

14 A. The Internal Transmission Charge along with the Internal Transmission Service Cost  
15 Adjustment recovers on a fully reconciling basis all costs associated with FG&E's  
16 transmission investments.

17

18 Q. Is this recovery approved by the Department and resident in any tariff filed by FG&E?

1 A. Yes, it is. The Department approved the Internal Transmission Service Cost  
2 Adjustment as part of FG&E's Restructuring Plan (Appendix B, Tab G, M.D.T.E. No.  
3 14), allowing the recovery, on a fully reconciling basis of all transmission charges  
4 applicable to retail customers under FG&E's FERC-approved Open Access  
5 Transmission Tariff (OATT).

6

7 Q. Does the recovery permit FG&E to recover any other transmission-related costs?

8 A. Yes. It may recover all those costs applicable to FG&E's Pool Transmission Facilities  
9 (PTF) revenue requirement as included in NEPOOL's OATT.

10

11 Q. What kinds of transmission investments does FG&E have?

12 A. FG&E's transmission investments are divided into two components, Non-Pool  
13 Transmission Facilities (Non-PTF) and Pool Transmission Facilities (PTF).

14

15 Q. What are PTF?

16 A. PTF are those facilities that FG&E owns that are defined by NEPOOL and included in  
17 the provision of transmission service through NEPOOL's Open Access Transmission  
18 Tariff (OATT).

19 Q. What facilities constitute Non-PTF?

1     A.     All the remainder of FG&E's transmission investment is considered Non-PTF. These  
2           costs are included in the provision of transmission service through FG&E's local OATT.

3  
4     Q.     What costs are included in the Internal Transmission Service Cost Adjustment?

5     A.     Again, the best method to provide the costs, as well as reassurance of the Department's  
6           previous authorization of their recovery, is to provide a table demonstrating such  
7           correlation. See Table KMA-2.

8

TABLE KMA - 2		
Column	Costs from December 20, 2002 Electric Reconciliation Mechanism and Inflation Adjustment Filing	Correlation to Restructuring Plan
	<b>SCHEDULE KMA-2, Pages 1 through 3 of 7</b>	
A.	Revenue Requirement, FG&E FERC OA	❖ See FG&E's approved Restructuring Plan, Appendix B, Tab D, page IV.3, <u>2. Transmission Charges</u> : "...the Internal Transmission Cost Adjustment will recover on a fully reconciling basis: 1) the transmission charges applicable to retail customers under the Company's FERC-approved Open Access Transmission Tariff....".
B.	Revenue Requirement, FG&E PTF	❖ See Restructuring Plan, Appendix B, Tab D, <u>2. Transmission Charges</u> , page IV.3: "...the Internal Transmission Cost Adjustment will recover on a fully reconciling basis: 1) the transmission charges applicable to retail customers under the Company's FERC-approved Open Access Transmission Tariff and 2) the Company's Pool Transmission Facilities revenue requirement as included in NEPOOL's Open Access Transmission Tariff....".

1 Q. When do FG&E's FERC OA costs normally change?

2 A. FG&E's FERC OA Revenue Requirement is based on a test year amount and therefore  
3 changes are made only upon filing and approval by FERC.

4  
5 Q. When do FG&E's PTF costs normally change?

6 A. In accordance with NEPOOL's OATT, the revenue requirements are updated annually,  
7 effective June 1 of the following year. Therefore, FG&E updates the monthly amounts it  
8 uses in its reconciliation effective June 1 each year to correspond with NEPOOL's  
9 changes.

10

11 Q. What reconciliation period is included in this filing?

12 A. The filing includes actual cost and revenues from January 2001 through September  
13 2002 and estimated data from October 2002 through December 2003.

14

15 Q. For what period has the Department approved cost recovery?

16 A. The Department has approved recovery of costs through September 2001 (D.T.E. 01-  
17 103-A at 7). Since October 2001 through December 2001 are required as part of this  
18 filing, rather than present partial year data, FG&E is presenting the full year.

19 Q. Any there any other changes to presentation of the cost recovery mechanisms?

1     A.     No.

2

3     Q.     What is FG&E's proposed Internal Transmission Service Cost Adjustment?

4     A.     FG&E's proposed Internal Transmission Service Cost Adjustment is \$0.00005 per  
5            kWh as shown on Page 3 of Schedule KMA-2.

6

7     Q.     How does this compare to FG&E's current Internal Transmission Service Cost  
8            Adjustment?

9     A.     FG&E's current Internal Transmission Service Cost Adjustment is \$0.00041 per kWh.  
10           The proposed rate is decreasing by \$0.00036 per kWh. The decrease is due to a  
11           change in the deferral balance that is included in computation of the rate. The  
12           development of the current rate included an under-collection whereas the development  
13           of the proposed rate includes an over-collection.

14

15    Q.     How is the Internal Transmission Service Cost Adjustment calculated?

16    A.     Consistent with FG&E's Internal Transmission Service Cost Adjustment Tariff, the  
17           charge is calculated based on a forecast of costs for 2003, with full reconciliation and  
18           interest for any over or under recoveries in 2002. This calculation is demonstrated on  
19           Page 3 of Schedule KMA-2.

1 Q. Is this the same methodology approved in D.T.E. 99-110 and D.T.E. 01-103-A?

2 A. Yes.

3

4 Q. Please describe Schedule KMA-2.

5 A. Schedule KMA-2 is FG&E's Monthly Internal Transmission Charge Reconciliation.

6 This schedule contains 7 pages. Pages 1 through 3 provide the monthly and annual cost

7 detail and end of year deferrals for 2001 through 2003. Page 3 provides forecasted

8 cost data for 2003. As discussed above, page 3 also provides the calculation of the

9 proposed rate. Pages 4 through 5 provide the calculation of interest and monthly

10 deferrals for 2001 through 2003. Pages 6 and 7 provide the forecast of revenues for

11 the period October 2002 through December 2003. Consistent with the Department's

12 determination in D.T.E. 99-110, FG&E has provided actual data through September

13 2002. The remainder is forecast.

14

15 Q. What is the proposed reconciliation amount?

16 A. As shown on Page 4, the proposed reconciliation amount is an over-collection of

17 (\$29,442) based on actual data through September 2002, and forecast data through

18 December 2002.

19

1 Q. What is the expected balance at the end of 2003?

2 A. With the proposed Internal Transmission Service Cost Adjustment of \$0.00005 per  
3 kWh effective January 1, 2003, the balance is projected to be an over-collection of  
4 (\$394) as shown on Page 5.

5

6 **IV. CONCLUSION**

7 Q. Does this conclude your testimony?

8 A. Yes, at this time.